

Technical Note
Gross Domestic Product, Third Quarter 2003 (Advance)
October 30, 2003

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release; the note also provides some perspective on the estimates. Additional material will be posted to BEA's Web site <www.bea.gov> as it becomes available over the next few days. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*. The *Survey* also will provide a more detailed analysis of the estimates ("The Business Situation").

Gross Domestic Product

Real GDP: Based on data available at this time, BEA estimates that real GDP increased 7.2 percent (annual rate) in the third quarter of 2003 after increasing 3.3 percent in the second quarter. Growth in the third quarter was boosted by consumer spending, by business investment in equipment and software, by investment in housing, and by exports.

Real final sales of domestic product, GDP less the change in private inventories, increased 7.8 percent in the third quarter, following an increase of 4.0 percent in the second. Businesses continued to draw down inventories, subtracting 0.67 percentage point from third-quarter GDP growth. Inventories subtracted 0.74 percentage point from second-quarter GDP growth.

Prices: The price index for gross domestic purchases increased 1.9 percent in the third quarter after increasing 0.4 percent in the second. An upturn in energy prices accounted for most of the step-up; food prices grew at about the same rate in each quarter. Excluding food and energy prices, the index increased 1.5 percent in the third quarter after increasing 0.8 percent in the second.

Disposable personal income and personal saving: Real disposable personal income (DPI) increased 7.2 percent in the third quarter after increasing 2.6 percent in the second. The step-up in real DPI growth partly reflected the lower withholding rates and the advance payments of child tax credits provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003 (signed into law May 28, 2003). Personal saving—current-dollar DPI less personal outlays—was \$276.7 billion in the third quarter, compared with \$259.7 billion in the second. The personal saving rate—saving as a percentage of DPI—was 3.3 percent in the third quarter; it was 3.2 percent in the second.

Comprehensive revision: On December 10, 2003, BEA plans to release the results of its 12th comprehensive (or benchmark) revision of the national income and product accounts (NIPAs). The release schedule, highlights of the revision, and answers to frequently asked questions are available on BEA's Web site at:

www.bea.gov/bea/dn/2003benchmark/CR2003.htm

A series of articles on various aspects of the revision is also available on the Web site. The series includes detailed descriptions of changes that will be made in definitions and classifications, in statistical sources and procedures, and in presentation. In-depth articles also discuss:

- C an improved measure of the services of commercial banks,
- C changes in the treatment of property and casualty insurance,
- C income and outlays of households and of nonprofit institutions serving households
- C effects of incorporating the 1997 Benchmark Input-Output Accounts
- C selected issues in the measurement of U.S. international services.

Source Data for the Advance Estimate

The advance GDP estimate for the third quarter is based on source data that are incomplete and subject to revision.

Three months of source data were available for consumer spending on goods; shipments of capital equipment other than aircraft; motor vehicle sales and inventories; manufacturing durables inventories; federal government outlays; and consumer, producer, and international prices. Only two months of data were available for most other key data sources. BEA's assumptions for the third month are shown in table A.

- C For the change in nondurable manufacturing inventories, an increase was assumed for September.
- C For the change in non-motor-vehicle inventories of retailers and merchant wholesalers, a decrease was assumed for September.
- C For exports of goods, excluding gold, an increase was assumed for September.
- C For imports of goods, excluding gold, an increase was assumed for September.

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October 30, 2003

Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP
FOR THE THIRD QUARTER OF 2003

For many of the key series used to prepare the advance estimate of GDP, including retail sales, unit automobile and truck sales and inventories, manufacturers' shipments of nondefense capital goods (other than aircraft), manufacturers' inventories of durable goods, federal defense spending, and consumer, producer, and international price indexes, actual data are available for all months of the quarter.

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for September 2003 are shown in the last column of the table. For most series shown, the data for August are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

All series shown in the table are in billions of dollars, seasonally adjusted at annual rates, and are published by the Bureau of the Census.

		2003					
		Apr.	May	Jun.	Jul.	Aug.	Sept. *
Private fixed investment:							
Nonresidential structures:							
1	Value of new total private construction put in place less residential (inc. improvements)...	218.9	216.1	217.1	217.8	212.0	213.4
Equipment and software:							
2	Manufacturers' shipments of complete aircraft.....	20.0	22.6	34.1	29.1	24.8	21.9
Residential structures:							
Value of new residential construction put in place:							
3	Single family.....	287.6	290.6	292.9	297.3	303.0	308.7
4	Multifamily.....	32.7	33.6	33.4	33.9	34.4	35.0
Change in private inventories:							
5	Change in inventories for nondurable manufacturing.....	2.4	-3.9	10.9	-4.6	4.3	1.2
5a	Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment..	-14.7	-24.5	5.6	15.2	-4.6	-12.4

Net exports:

Exports of goods:

6	U.S. exports of goods, international-transactions- accounts basis.....	686.8	693.1	711.1	724.2	693.0	712.1
6a	Excluding gold.....	682.9	687.9	703.3	720.5	686.0	707.8

Imports of goods:

7	U.S. imports of goods, international-transactions- accounts basis.....	1243.1	1253.0	1252.0	1264.6	1226.9	1268.7
7a	Excluding gold.....	1240.2	1249.4	1246.2	1262.1	1221.5	1265.0
8	Net exports of goods.....	-556.3	-559.8	-540.9	-540.4	-533.9	-556.6
8a	Excluding gold.....	-557.3	-561.5	-542.9	-541.6	-535.6	-557.2

Government:

State and local:

	Structures:						
9	Value of new construction put in place.....	191.5	193.2	199.5	198.1	198.8	198.5

*Assumption.